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House of Representatives

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NATIONAL DEFENSE STOCKPILE:

Views on DOD's 1992 Report to the Congress and Proposed Legislation

Statement of Donna M. Heivilin, Director, Logistics Issues,
National Security and International Affairs Division

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss, as you have requested, (1) our views on the assumptions and analyses in the Department of Defense's (DOD) 1992 Report to the Congress on National Defense Stockpile Requirements, (2) DOD's recommended acquisition and disposal plans and associated legislative proposals, (3) actions in response to recommendations we made in 1987 concerning the setting of national defense stockpile goals, and (4) federal agencies' participation in the DOD requirements determination process.

DOD's most recent report on stockpile requirements was released just over two months ago, on February 27, 1992. Accordingly, our comments are preliminary in nature. We will provide a more complete assessment in our final report to be issued later this year.

RESULTS IN BRIEF

Our preliminary assessment indicates that DOD has made considerable efforts to improve its methodology for estimating stockpile requirements. However, the process used, taken in its overall context, is limited as a basis for determining specific estimates of stockpile requirements. We are concerned about the representation of uncertainty associated with goal estimates and the use of outdated data in the models. Although these shortcomings cast doubt on the specifics of DOD's proposed requirements goals, changes in the world situation and reductions in force structure indicate that cautious disposal of some material is probably prudent. We suggest that disposal of cobalt and other materials by DOD be carried out in full consultation with experts in other federal agencies and outside the government.

Before discussing these points further, some background information on the stockpile and the DOD report may be helpful.

NATIONAL DEFENSE STOCKPILE

In 1946, Congress enacted the Strategic and Critical Materials Stock Piling Act, which authorized the present stockpile. Strategic and critical materials are those materials needed to supply the military, industrial, and essential civilian needs of the United States during a national emergency, and which are not likely to be produced domestically at levels sufficient to meet those needs. The current stockpile is composed of 91 strategic and critical materials, including aluminum, beryllium, chromium, cobalt, germanium, industrial diamonds, manganese, and platinum. In February 1988, management of the stockpile was transferred by executive order from the General Services Administration and the Federal Emergency Management Agency (FEMA) to the Department of Defense.

Stockpile goals represent the projected quantities and values of the military, industrial, and civilian requirements based on a

3-year conventional war, as directed in legislation. A number of stockpile policy reassessments and goal studies have been made over the years. However, alternative methodologies and assumptions used in previous studies have resulted in wide variations in proposed goals. In January 1991 prices, these variations in proposed goals range from more than \$16 billion in 1979 to about \$600 million in 1985 to over \$5 billion in 1991 and finally to \$3.3 billion in 1992. The current actual goals are an updated version of the 1979 goals and are valued at \$19.1 billion. The existing inventory is valued at \$8.9 billion, using September 1991 price information, but contains too much of some material and not enough of others to meet the 1992 proposed goal.

To determine requirements, DOD computes the amounts of inventory that exceed or do not meet proposed goals. Under the 3-year war statutory scenario, DOD determined that 11 materials valued at about \$1.2 billion would need to be acquired to meet proposed goals. However, DOD has proposed a moratorium on stockpile purchases because of the change in threat assessments and the desire to save money as defense budgets decrease. DOD has also proposed an alternative war scenario, which it considers more realistic, and has computed a goal of \$1.32 billion. This scenario assumes a 1-year mobilization period and a 3-month war. We noted, however, that DOD's proposal includes acquisitions of seven stockpile materials valued at \$195 million.

ASSUMPTIONS USED

The Stock Piling Act requires the Secretary of Defense to submit an annual report on stockpile requirements based upon total mobilization of the U.S. economy for a sustained conventional global war for a period of not less than 3 years. The act also describes certain assumptions that DOD should use in determining and recommending stockpile requirements. Included are assumptions on military force structure, domestic production of strategic and critical materials, and availability of materials from foreign sources.

War Scenario

War scenarios generally describe the environment before a war, the length of the warning period, the extent of mobilization, the duration of war, the zones of action, and the environment after the war. Although DOD is implementing detailed defense force structure reductions in the range of 25 percent, it has not issued approved defense planning guidance, including the identification of threats and planned levels of reconstitution of forces. In effect, there is no officially approved war scenario and designated force structure to meet identified threats.

For the requirements determination process, the Joint Staff provided a war scenario and total mobilization force structure

targets, as of January 1991, that took into account the political, economic and military restructuring in Eastern Europe and the former Soviet Union. The war scenario and force structure used in the models were adapted to the statutorily mandated requirements. According to the Joint Staff, the scenario and force structure provided were for stockpile requirement determination purposes only and were not to be used by other federal civil agencies for mobilization and planning purposes.

In DOD's view, a scenario more consistent with national military strategy would call for a 1-year mobilization period and a three-month war. DOD's report includes a compilation of requirements using this alternative scenario. DOD cites recent intelligence estimates that indicate further changes in the potential threats to U.S. national security. Since the Joint Staff provided its scenario in January 1991, significant events bearing on U.S. security have occurred, including the dissolution of the Soviet Union and the formation of the Commonwealth of Independent States. These events require a reevaluation of threat assessments, which could lead to further reductions in stockpile goals.

Foreign Country Reliability

The United States is almost entirely dependent on foreign countries for strategic and critical materials such as columbium, manganese, platinum, cobalt, and chromium. The Department of State conducted a reliability assessment of foreign suppliers of strategic and critical materials using a new methodology which rates reliability on a scale of one to six. A rating of one means that a country is likely to be unwilling to supply the United States during a war, while a six means that a country will be capable of producing and delivering to port up to its full existing capability and, additionally, is likely to take extraordinary measures during war to provide increased supplies. The revised scores were reviewed by the Office of the Under Secretary of Defense for Policy, and after some minor changes they were converted to percentages for use in the modeling process.

This rating system is different from the one used in prior assessments. For example, in DOD's 1989 report, each country was rated as completely reliable or completely unreliable in terms of available supplies. The 1985 study assigned one of three reliability ratings to potential exporting countries -- highly reliable, fairly reliable, and unreliable.

Department of State officials do not approve of the way DOD uses the States' political reliability assessments. State officials stress that their assessments are subjective and highly prone to rapid change. They believed that the country ratings are good for a few months at best and that attaching a numerical value or percentage in forecasting reliability 2 to 3 years in the future was very risky. DOD explained that several groups within DOD had

reviewed information on country reliability and resolved any differences between State ratings and DOD group scores, resulting in lower, more conservative ratings. Moreover, DOD reported that only assured foreign supply sources (Canada, Mexico, and the Caribbean countries) were taken into account in calculating military and defense-related stockpile goals.

Since only assured suppliers were used to compute military requirements, foreign country reliability assessments would apply only to the civilian sector of the requirements determination process. DOD performed sensitivity analyses to determine how changes in foreign country reliability assessments would affect this \$1 billion portion of the \$3.3 billion proposed goal. Using previous country reliability assessments, DOD computed a stockpile requirement that was \$194 million, or 6 percent lower than the proposed goal. Reducing the reliability assessment for one country by 50 percent increased stockpile requirements by only \$14 million. We believe that DOD's sensitivity analysis does not adequately reflect State's concerns about the uncertainty of the reliability ratings. For example, a country's rating may not change over several rating periods, and therefore would not have changed in the sensitivity analysis, but that rating could still be considered uncertain by State. Therefore, alternative ratings should be examined.

We asked DOD to conduct a few additional country reliability sensitivity tests. Our tests were limited in that we examined alternative ratings for only five different countries in different combinations with each other. Because of the countries involved, our tests did not involve very many or very expensive materials. By altering only a few reliability ratings that we believed to be uncertain, the goals for two materials increased by 64 percent and 111 percent, although these changes only amounted to a 5-percent increase in the total dollar value of the 1992 study proposed goals.

Some sensitivity tests on country reliability conducted for previous stockpile studies were more thorough, and consequently suggested broader ranges for stockpile goals, than either the tests presented in the 1992 study or our tests described above. We believe a thorough sensitivity test on country reliability should be conducted in combination with other sensitivity tests, e.g. on shipping losses or material consumption ratios, and likely will result in broader ranges for proposed goals than are presented in the 1992 study.

Material Consumption Ratios

Both the limited representation of uncertainty and the use of outdated data characterize the use of material consumption ratios (MCRs) in the study. MCRs are estimates of material consumption per dollar of industry output, and are used to convert the

estimates of an industry's output into the requirements for a critical material.

Over 2,000 MCRs are used in the model to estimate stockpile goals, each one representing a unique combination of industry and critical material. However, there likely are less than 200 MCRs that are influential, or that need to be reasonably accurate if the model is to produce a meaningful estimate. The 1992 report includes MCR's that are based on data more than 10-years old.¹

To analyze the consequences of using outdated MCRs, we attempted to obtain the raw data used to develop MCRs but DOD was unable to provide it because DOD did not keep historical files or documentation. We constructed some of the potentially important MCRs from Commerce data covering 1972-83, but nearly half of the data we requested had been discarded. Our preliminary findings suggest that, for the most part, the MCRs used in the 1992 study cannot be verified from surviving data sources. We calculated our MCRs in a manner identical to that described by DOD and found that, of the 15 MCRs we examined, our estimates were within 10 percent of DOD's MCRs for 4, within 20 percent for another 5, and substantially different for the remaining 6.²

We also examined how much an MCR could change over 10 years. Among our 15 MCRs, three increased by more than 4 times their level of a decade ago, three had decreased to less than 25 percent of their prior level, six were about one-half their prior level, and only three had remained about the same.

Such dramatic changes in MCRs over a decade are possible for many reasons, including (1) technological advances, for example miniaturization, which would reduce materials consumption;

¹According to DOD, MCRs are calculated as the ratio of 3-years of materials consumption data by industry, obtained from analysts at Commerce, to 3-years of industry output on a product class basis, obtained from the Census of Manufacturers. Commerce last updated the materials consumption data for all materials during 1985-86, which produced estimates for 1983. Allowing for the lag-time in constructing MCRs, estimates for 1989 could have been available for the 1992 study, therefore the MCRs used in the 1992 study were at least 6 years out of date from what was possible. Adding to this the years that the MCRs are projected forward in the 1992 study means that the MCRs applied to the war years are based on data more than a decade old.

²We attempted to verify the MCRs used in the 1992 study by constructing comparable MCRs from Commerce data and Census of Manufacturers' actual data, whereas DOD had used forecasts of Census data.

(2) substitution of alternative or cheaper materials, which could increase consumption of some materials and reduce consumption of others, (3) greater production efficiencies (less waste), which would reduce materials consumption, and (4) changes in the dominance of the various products contained in particular SIC codes, which could increase or decrease the consumption of particular materials.³

These results reflect the uncertainty associated with the use of outdated data for the MCRs. The 1992 study does not reflect this uncertainty in the sensitivity analyses. Further, the 1992 study does not present sensitivity analyses to represent other sources of uncertainty that can arise from such factors as inventory level changes, materials price speculation, or the likelihood that wartime MCRs are not comparable to peacetime MCRs.

We asked DOD to conduct sensitivity analyses on our 15 estimated MCRs representing 11 different materials, eight of which have proposed goals from the 1992 report. MCRs were increased and then decreased by amounts determined either from variances of past MCRs, or extreme values of more recent past MCRs, or our estimated MCRs if they differed greatly from DOD's. For the eight materials with proposed goals under the 1992 study, seven varied upwards by 17 to 55 percent or varied downwards from 25 to nearly 100 percent (a near-zero goal), and one goal nearly tripled or ranged downward to zero. The sensitivity tests did not result in positive goals for any of the other three materials. By combining all of our MCR tests, the total value of proposed goals could range upward by 35 percent, or downward by 29 percent.

The sensitivity analyses we conducted were somewhat conservative in that not all materials were examined, nor were plausible extreme values of MCRs tested in each case. Therefore, it is possible that a more thorough sensitivity analysis would reveal broader ranges for proposed goals. Further, combining sensitivity tests for MCRs with sensitivity tests for other factors is also likely to result in broader ranges for proposed goals than those suggested by sensitivity results presented in the 1992 study.

We understand that DOD is negotiating with Commerce to update the data used to calculate MCRs. Further, one official told us that it might take several years to reestablish the level of expertise and cooperative industry relationships that are necessary to obtain the quality of data that would be comparable to that obtained when MCRs were last updated around 1985. If DOD is unable to obtain new MCR data from Commerce or anyone else on a continuous basis, then we believe the modeling approach to determine stockpile goals may not

³SIC codes are 4 digit standard industry classifications used by the Department of Commerce to categorize economic data on an industry or product basis.

be credible. Perhaps more reliable estimates could come from a new structure of working groups or committees composed of experts in the relevant subject areas.

Because any methodology used to determine goals is going to involve assumptions and data that are characterized by some uncertainty, we believe it would be prudent to place less emphasis on computing specific point estimates of stockpile goals and, instead, develop a range of stockpile requirements, sized in volume and value, to cover identified U.S. security threats. In times of uncertainty, looking at alternative goals for one or more war scenarios may be useful. Alternatives can serve to give some sense of the relative risks involved and the range of requirements needed to address those risks.

PROPOSED DISPOSAL

We are concerned about the representation of uncertainty associated with DOD's goal estimates and the use of outdated data in models. Although these shortcomings cast doubt on the specifics of DOD's proposed requirements goals, changes in the world situation and reductions in force structure indicate that cautious disposal of some material is probably prudent. Disposal of cobalt and other materials should be carried out by DOD in consultation with experts in other federal agencies and outside the government. Such consultation should help ensure that usual markets are not unduly disrupted and military requirements are maintained. As you requested, to determine the impact of proposed disposal on the market, we examined (1) the draft legislation (H.R. 4880) authorizing the disposal of cobalt during fiscal years 1992 and 1993 and (2) the draft legislation (H.R. 4695) authorizing the disposal of other material over the next 10 years without regard to annual limitations.

Cobalt Disposal

In its 1992 report, DOD computed an excess requirement of 12.7 million pounds of cobalt. H.R. 4880 would expedite the disposal of 6,000,000 pounds of cobalt while H.R. 4695 would authorize disposal of the remaining 6.7 million pounds.

We reviewed domestic cobalt consumption and consulted federal agency experts and representatives in the user and trader markets. Domestic consumption for 1991 was estimated to be about 16 million pounds, or about 21 percent of world mine production. Although the United States no longer mines and refines cobalt, U.S. reclamation from shavings and other usable scrap accounts for about 3 million pounds, or about 18 percent of domestic consumption.

Representatives from the Bureau of Mines and the Defense National Stockpile Center said that mines and smelters could be reopened if

the cobalt price were high enough or in case of a national emergency.

Two experts, a government specialist and a user, believed the disposal of cobalt was desirable in the current market because it could be sold for relative high prices. On the other hand, a trader believed the supply and demand for cobalt was delicately balanced and that stockpile disposal would disrupt the market. He added that the government could sell the cobalt for higher prices in the future.

Disposal of Other Materials

H.R. 4695 proposes the disposal of stockpile materials that are obsolete or in excess supply and the acquisition of strategic and critical materials that are in inadequate supply. As introduced, the bill generally follows DOD's 1992 report with respect to proposed quantities of stockpile disposal and acquisitions. It requires disposal over a 10-year period without regard to any annual limitation and calls for approximately equal acquisitions over the same period except that acquisitions may occur at a faster rate to take advantage of favorable opportunities.

DOD is required by Executive Order 12626, dated February 25, 1988, to consult with heads of cognizant federal agencies in the disposal and acquisition planning process. The Stock Piling Act (50 U.S.C. 98h-1) also provides for the appointment of advisory committees composed of individuals with expertise in stockpile management. We favor stockpile modernization and a broad, flexible disposal concept. We believe, however, that DOD should obtain the advice and counsel of civil federal agency and independent experts in implementing any disposal and acquisition program because (1) such broad authority would significantly exceed prior experience with annual disposal, and (2) the timing of disposal in minerals and metals markets, which can be volatile, is critical to ensuring compliance with the legislative requirement to avoid unnecessary disruptions in the usual markets.

ACTIONS ADDRESSING PRIOR GAO RECOMMENDATIONS

In a May 1987 report,⁴ we recommended improvements in the process used to determine stockpile goals. Specifically, we recommended that the analyses of stockpile requirements (1) be directed and performed by individuals and organizations with the requisite experience and expertise, (2) contain direct input from the industries involved in material mining and processing, (3) consider a reasonable range of assumptions and options, (4) fairly present

⁴National Security Council Study Inadequate to Set Stockpile Goals, GAO/NSIAD-87-146, May 4, 1987

study participants' inputs, (5) verify or supplement economic models with the best available direct measures of material requirements, and (6) use assumptions and planning factors that are consistent with those used by federal departments for similar purposes. In May 1987, the Federal Emergency Management Agency (FEMA) was managing the stockpile so our recommendations were addressed to the Director of FEMA. In following up on the recommendations, we discussed actions taken with DOD, FEMA, Commerce, the Bureau of Mines and other agencies; however we looked primarily to DOD which was assigned overall responsibility for stockpile management in February 1988.

We found that the use of experts and expertise in the development of stockpile requirements listed in DOD's February report was varied. Experts in several federal agencies and outside the government provided essential information and resources used in the requirements estimation process. This information included supply and capacity data provided by the Department of Interior's Bureau of Mines and the Department of Agriculture, demand side data from the Joint Chiefs of Staff, economic forecasts from the Council of Economic Advisers, country reliability assessments from the Department of State, and modeling resources and services from outside contractors. Experts outside of DOD generally did not lead or chair interagency advisory groups, working groups, or joint work efforts involved in the requirements development process.

Most industry input on the supply and demand of critical materials is obtained indirectly. Agriculture, Commerce, and the Bureau of Mines collect information from industry sources, market contacts, and other means and provide it to DOD. Because of apparent conflicts of interests, DOD does not believe that industry should be directly involved in determining requirements for the materials it provides. The DOD-sponsored Institute for Defense Analysis (IDA) obtained much of the information needed for special studies of advanced materials such as indium and rhodium, through direct industry contacts. Separate, nonmodel assessments of these materials were conducted because they are not used widely enough to be included in the economic modeling process.

DOD appears to generate requirements using a reasonable range of assumptions and options, including those stipulated in the legislation such as the war scenario; military forces to be mobilized; requirements for the military, industrial, and civilian sectors; available foreign supplies; and domestic production. DOD also factored in a warning and mobilization periods. Under an alternative option, DOD computed a stockpile requirement worth \$1.3 billion using a scenario which assumed a 1-year mobilization period and a 3-month war.

DOD also performed sensitivity analyses by changing factors on supplier reliability, shipping losses, pricing, mobilization year shortfalls, plant capacity, and civilian austerity. The results of

these analyses ranged from \$2.9 to \$3.8 billion. No sensitivity analysis was presented for material consumption ratios in the February 1992 report.

Regarding fair presentation of participants' input, the final report may incorporate civil agency views in that it reflects the Administration's report to the Congress; however, it does not contain dissenting or critical views, as we had recommended.

With respect to verification of economic models, we were told that IDA does "reality checks" of selected strategic and critical materials by obtaining as much input as possible for the more difficult analyses. IDA stated that it consults with the military services, the Defense Logistics Agency, the Defense Science Board, the Defense Advanced Research Projects Agency, and other experts in the private sector. Direct measures of demand and supply for stockpile materials are not readily available. For demand and supply information IDA relies heavily on the experts in federal civil agencies responsible for industrial and economic activities.

DOD officials agreed that assumptions and planning factors consistent with related programs should be applied, but they continue to express reservations about using stockpile study assumptions and methodology for mobilization planning other than for the stockpile. The Departments of Commerce and State use a peacetime scenario to project leadtimes for adding new plant facilities and increasing production. Under a wartime scenario, DOD assumes that production will increase dramatically with new plants coming on line much quicker, thus creating greater demand for strategic and critical materials.

We noted that the Department of Transportation and other agencies work with FEMA in developing planning factors associated with industrial base planning and a graduated mobilization response (GMR). According to Transportation officials, many of the planning assumptions that apply to warning times, civil GMR programs, civil industrial capabilities, and cost and construction factors appear to be based on different assumptions than those DOD used in its requirements report. DOD said that the fact that FEMA may use some different planning assumptions for its generic GMR and mobilization planning is not relevant to those aspects of the stockpile program that are determined by military intelligence estimates or statutory mandates.

PARTICIPATION OF FEDERAL AGENCIES AND OTHER EXPERTS

Civilian federal agencies have generally participated in stockpile management and the requirements determination process on an informal, and ad hoc basis. The Stock Piling Act supports the establishment of an advisory group, composed of experts from government agencies, that are also responsible for emergency

mobilization planning under Executive Order 12656, to help determine stockpile requirements and manage acquisitions and disposal. Although such a group may be convened when needed, none has been formally established. Agencies such as Commerce, Interior, and State provide important input to the stockpile process but not in a coordinated, formal fashion. DOD is taking steps to establish such a group or committee and has developed a charter that spells out specific responsibilities of the Departments of Commerce, Interior, and State in advising DOD and providing data for the setting of stockpile requirements. However, DOD indicated that it would not assign responsibilities to civilian agencies that go beyond advisory. DOD said that the charter will include advisory participation in acquisition and disposal actions such as in the area of market impacts, but not in areas under the purview of warranted DOD contracting officers. Final development and approval of the charter is pending.

Officials at the Departments of Commerce and State and FEMA expressed concern about the diminished role of the Market Impact Committee. This Committee, composed of representatives from the Departments of Commerce, State, and Treasury, the Bureau of Mines, and FEMA, is primarily concerned with ensuring that government purchases and sales of strategic and critical materials do not disrupt market prices. It also serves as a forum for assessing industry complaints and concerns. When DOD became responsible for the stockpile, the Committee ceased to function on a regular basis. Although it meets occasionally on an ad hoc basis, there is no consensus arrangement or process for resolving differing views. Agency officials commented that the Committee has been virtually nonfunctional for the past 2 years and that DOD apparently has little interest in the Committee or its views. DOD told Committee representatives they could comment on the annual materials plan but its advice would not necessarily be followed. Under FEMA, the Committee had been an important adviser on the development and execution of the plan.

The DOD Inspector General also concluded in July 1991 that since the transfer of the stockpile from FEMA to DOD, the Committee had not consistently met to review the effects of proposed acquisitions and disposal on domestic and foreign markets. Rather, the Committee assists DOD when requested. FEMA and State have suggested that the Committee be institutionalized either through legislation or by an executive order. Formalizing the Committee would provide DOD with informed opinions on how proposed disposal of commodities from the stockpile would affect the marketplace. It would also ensure that Committee members have a clearer understanding of their roles and what is expected of them.

Planning assumptions are fundamental factors in determining stockpile goals. In September 1991, DOD asked 10 civilian agencies to comment on the 23 planning assumptions used to compute stockpile requirements, including attrition rates, shipping losses, supplier

country reliability, civilian austerity measures, and force structure. While several agencies had no comments, the general reaction seemed to be that the assumptions were suitable -- given the planning and reporting requirements stipulated in the existing legislation. Some changes were made as a result of comments received. For example, FEMA questioned the projected expansion of capacity for seven industries within a year. DOD said that such an expansion, occurring over a longer period of time, would not be overly ambitious. Based on a updated computer analysis and the use of a longer lead time, DOD reduced the number of capacity expansions to five for the February report.

The Departments of Transportation and Treasury and FEMA provided detailed comments. Some of the comments took issue with the wartime scenario and the use of old data. FEMA expressed reservations on 12 assumptions, including those concerning trade conditions, assured suppliers, minerals capacity expansion, the use of a peacetime macroeconomic forecast, and wartime production assumptions. In responding to FEMA's comments, DOD expressed the belief that the criticisms resulted from misunderstandings and misinterpretations of the assumptions. FEMA officials told us that while they had taken issue with technical aspects of several assumptions, they considered DOD to have been responsive to their comments and concerns.

In January 1992, the Office of Management and Budget (OMB) circulated the draft report to 12 civilian agencies for comment. Receipt and disposition of comments were controlled by OMB. Citing confidentiality and a process that tries to encourage candor and straightforward dialogue among the agencies, OMB declined to provide us with specific agency comments or their disposition.

Discussions with officials at several agencies indicated that personnel at the program or expert level did not get an opportunity to review and comment on the final report. We were told that policy level comments were handled by the agencies' general counsels. OMB indicated that only two agencies, the Departments of Commerce and the Interior, provided any substantive comments on the report. Interior's Bureau of Mines did not concur in DOD's draft report. It said that updating of goals and specifications was long overdue, but it could not accept the present DOD calculations without a better understanding of the basic classified parameters, procedures, methodologies, models, requirements, and assumptions that went into the published results. We have not yet received Commerce's comments.

According to OMB, the final report takes into account comments received from the agencies. However, the report does not set forth separate agency views, whether they be positive or critical. We recommended, in our May 1987 report, that participants' inputs be fairly presented, and any major dissenting views be clearly reported.

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Mr. Chairman, that concludes my prepared testimony. We would be
happy to respond to questions that you may have.